

Message Text

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INFO OCT-01 EUR-12 ISO-00 SSO-00 INRE-00 NSCE-00 COME-00

SP-02 AID-05 EB-07 NSC-05 CIEP-01 SS-15 STR-04 OMB-01

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DRAFTED BY: TREAS:DSYVRUD

APPROVED BY: EUR: AAHARTMAN

S/S-O:R. GAMBLE

TREAS:UNDER SECY YEO

TREAS:FLWIDMAN

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TO AMEMBASSY LISBON IMMEDIATE

C O N F I D E N T I A L STATE 225469

DELIVER TO AMBASSADOR CARLUCCI AT OPENING OF BUSINESS

E.O. 11652: N/A

TAGS: ECON

SUBJECT: GOP ECONOMIC PROGRAM AND LOAN REQUEST

FOLLOWING IS TREASURY REACTION TO SOARES ECONOMIC PLAN
AS REPORTED IN YOUR LISBON 8494, 8485 AND 8437.

1. ON THE BASIS OF OUR PRELIMINARY REVIEW OF SOARES'
ECONOMIC PROGRAM WE TEND TO AGREE WITH YOUR ASSESSMENT
THAT ITS FOCUS ON LOW WORKER PRODUCTIVITY WAS WELL TARGETED.
SPECIFIC MEASURES FOR DEALING WITH THIS PROBLEM WILL
OBVIOUSLY HAVE TO BE IMPLEMENTED WITH GREAT POLITICAL
SENSITIVITY. SUCCESS ON THIS SCORE WILL BE A MAJOR STEP
FORWARD TOWARD RESTORING PRIVATE SECTOR CONFIDENCE IN THE
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PORTUGUESE ECONOMY. BUT OTHER ASPECTS OF THE PROGRAM

APPEAR TO BE LESS PROMISING, PERHAPS EVEN COUNTERPRODUCTIVE,
IN RESTORING ECONOMIC HEALTH TO PORTUGAL.

2. WE ARE SYMPATHETIC TO MINISTER SOARES' EFFORTS, BUT
WE DO NOT WISH TO MISLEAD HIM INTO THINKING THAT WE HAVE
A CAPACITY FOR SOLVING HIS PROBLEMS WHICH DOES NOT EXIST.
WE ARE NOT IN POSITION AT THIS POINT TO INDICATE SYMPATHY
EITHER FOR THE \$300 MILLION OR \$1 BILLION LOAN REQUEST.

3. DURING YOUR DISCUSSIONS WITH THE MINISTER OF FINANCE
AND THE CENTRAL BANK GOVERNOR ON SEPTEMBER 13 YOU MAY
WISH TO EXPLORE THE PORTUGUESE ECONOMIC PROGRAM IN GREATER
DEPTH TO GET A BETTER UNDERSTANDING OF THE SPECIFIC

MEASURES BEING PLANNED, BUT YOU SHOULD NOT PRESUME THAT
THE IMPLEMENTATION OF ANY SPECIFIC MEASURES WILL ESTABLISH
THE CONDITIONS FOR ANY CREDITS.

4. GIVEN THE COMPLEXITY OF SOARES' ECONOMIC PROGRAM
AND THE MANY UNANSWERED QUESTIONS ABOUT IT, WE AGREE
ON THE ADVISABILITY OF AN ECONOMIC MISSION TO
PORTUGAL. PURPOSE OF THIS MISSION WILL BE SOLELY TO
EVALUATE THE ECONOMIC PROGRAM, NOT TO NEGOTIATE ANY
CREDITS. WE PLAN TO SEND DONALD E. SYVRUD, DIRECTOR,
OFFICE OF INTERNATIONAL MONETARY AFFAIRS, AND GEORGE H.
WILLIS, DEPUTY TO THE ASSISTANT SECRETARY, TO LISBON
AS SOON AS POSSIBLE. WE WILL ADVISE YOU OF THE TIME OF
ARRIVAL. KISSINGER

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